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EUROPE'S CRISIS

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EUROPE'S CRISIS

by

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THE NINETEENTH CENTURY

THE NINETEENTH CENTURY

MANIFESTLY, there is a European crisis. After a long period of predominance, which at times seemed permanent, the Old World now finds that its leadership is contested. Moreover, this means that not only the destiny of Europe is in jeopardy, but also her entire form of civilization. This really is the most serious angle of the European crisis.

Civilizations quite as highly developed as ours have existed before — China, Greece, and the *Grand Siècle* in Europe — but, as the Americans point out, the tools and equipment of these older civilizations were rudimentary. The essential phase in the present evolution is the emphasis laid on material progress, man's conquest of natural forces previously unutilized. This intensive exploitation of the world was hitherto almost entirely carried on under the direction of the white race, or, to use another and almost synonymous expression, under the ægis of the West. The principles and methods which achieved this

overwhelming conquest originated in north-western Europe at the time of the industrial revolution at the end of the eighteenth century. Their intensive application, however, only became thoroughly effective during the past twenty years, and we are only now beginning to realize the incalculable consequences which may result.

We seem to be watching the birth of a new era in the history of humanity, an era which, like the Iron Age or the Bronze Age, will some time in the future be given its appropriate label, though we ourselves cannot as yet define it. The revolutionary ferment which is the essence of the new industrial methods far transcends in its effects the limits of mere production. It has worked upon the social structure and has penetrated into the intimate life of the individual, breaking through systems and conventions which are thousands of years old and which date from prehistoric times. It has forced a revision of man's relationship with Nature and with his fellow men, and has transformed not only time-honoured methods but even our very moral standards. Lastly, it has upset the balance of both continents and races.

Traces of the Neolithic Age can still be discerned in the traditional methods of our oldest civilizations. The kernel of this revolution is the

replacement of the tool by the machine. This has created the most disturbing problem that has beset humanity since the Stone Age. The way in which different races and different continents are reacting to these new conditions is the fundamental problem of our epoch, and a complete upheaval in the geographic distribution of world leadership may result. The present 'European crisis' is thus engulfed within the greater crisis of civilization.

So much for the background of the picture. Let us now examine in greater detail the events which are passing across the foreground. The disturbing elements introduced during the war and the post-war years have rendered exceptionally complex the widespread crisis through which the world has been passing since 1929; many different aspects are involved, each one constituting in itself a special crisis.

First there was the liquidation of the war, which, contrary to the general illusion, had not been already fully carried out. The main difficulty was to absorb an over-expanded industrial equipment. While Europe was fighting, the rest of the world feverishly equipped itself in order to supply the needs of the belligerents and to cope with their withdrawal from the international

markets. After the war, however, Europe in turn wished to recapture what she had lost. Also, many states, especially those created by the Peace Treaty, instinctively endeavoured to safeguard their still precarious independence by setting up autonomous industries. Such ambitions may have been justified politically, but economically they were quite illogical, especially as they were carried to exaggerated lengths and entailed duplication of effort.

One of the most dangerous illusions created by the war was the belief that we could go on increasing production as if consumption were unlimited. Since the dreaded spectre of shortage continued long after the Armistice, the idea of having again to face the low price levels of the past was never considered. All indications at that time seem to confirm this view. Certain moralists hoped that the war, and the unheard of destruction of property it had caused, would drive home the lesson of frugality; on the contrary, it merely accustomed people to waste. Nor did the return of peace improve matters. By permitting the reckless expenditure of enormous sums, the inflation which followed only increased in a temporary and most unhealthy way the apparent purchasing power of mankind. The 1921 crisis,

being soon over, caused only a partial corrective, for prices were kept at too high a level. Also, in order to carry out reconstruction, the wartime financial practices were maintained, and with them all their worst illusions. It is only to-day, over fifteen years after the return of peace, that the liquidation of the war is at last taking place in the form of a pitiless deflation.

The brief cycle of prosperity from 1924 to 1930 was, however, not unjustified. Farmers and exporters of raw materials in every country had made money during the war. Then, since reconstruction coincided with an extraordinary expansion of new industrial equipment, an atmosphere of activity was created such as the world had never seen before. The new demand for automobiles, aeroplanes, electrical household goods, and all sorts of new forms of machinery which were now within reach of everyone, produced an outlet which was not only entirely without precedent, but which seemed to be capable of indefinite expansion.

Almost everywhere political power was passing into the control of the masses, who were both irresponsible and naturally eager to enjoy life. As a result public budgets were steadily inflated, and a large part of the capital previously saved

was dissipated in current expenditure. From this, superficial observers believed that the war had enriched the world, and had conferred on it, no one knew why, a greater purchasing power than that enjoyed in the past. Now that this fictitious part of purchasing power has evaporated, the redundant equipment, which had been created to meet abnormal consumption, has fallen into disuse. The underlying causes of the depression have thus become clearly evident, and we can perceive the truly striking character of the phenomenon.

This purely circumstantial aspect of the crisis coincided with a declining phase in the long-term price cycle, similar to that from which the world suffered from 1873 to 1894, and which was followed by a corresponding phase of rising prices from 1895 to the beginning of the post-war years. In economic history these 25-year cycles may be likened to the respiration of an economic organism, or to use another simile they are like the rhythm of rising and ebbing tides. They create an atmosphere which it is impossible to avoid. Thus economic life, at a given moment, evolves under the pre-determined auspices of either rise or decline. In the last analysis the classic storms which come every seven to ten

years seem to be less important than these tidal movements which bear the current of prices aloft and then allow them to sink again.

The last change in direction seems to have occurred on the morrow of the 1921 crisis, when the tide of prices which had been rising for a generation began to decline. The actual turning point was not easy to perceive, however, as it had to be disentangled from a medley of events which were both transitory and circumstantial. The disorder caused by inflation and by the new subdividing of the world, veiled what really was happening from the public, who were incapable in any case of distinguishing gold-prices from paper-prices in the general price level.

Yet it was obvious after 1925 that the return of prosperity in the United States had not brought an increase in prices. I remember being struck by this fact when I was in America at that time. The tendency for gold to recover its purchasing power, which had been so seriously compromised by the war, now seemed irresistible. Herculean efforts were needed to struggle against the widespread and inexorable fall in prices that resulted. For if the atmosphere of a rising market seems rich in economic oxygen, and is favourable to the producer and indulgent to all borrowers, no

matter how imprudent; the atmosphere of a decline, on the other hand, expresses everything in a minor key, proves fatal to the debtor, implacable to the entrepreneur, and mortal to the producer. We are now undoubtedly passing through a phase of price depression. Its blind, almost cosmic forces overwhelm all attempts to resist or fight it. This is the second aspect of the world crisis, and it is by no means the least important.

The liquidation of the war and the fall in prices have this much in common: they affect all countries and all continents alike. Neither presents anything intrinsically new, for price cycles have been as periodic as the seasons, and history has known the liquidation of other wars.

There is, however, a third crisis, one this time that especially concerns Europe. It arises from the displacement of the centre of gravity of the world's economic structure. Originating as far back as the beginning of the twentieth century, but accelerated and aggravated by the war, this trend now threatens to deprive the Old World for ever of its former industrial monopoly. Here we have neither precedent nor experience to guide us. We are facing something new, and are dismayed by circumstances so entirely unexplored.

A geographic regrouping of industry is now taking place. Europe finds herself over-equipped, thanks to her long start ahead of the others. She must now, however, justify not only her right of leadership, but even her very existence, for her young rivals refuse to recognize the quasi-monopoly she enjoyed in the past.

To appraise the position of Europe, we must distinguish carefully between that which is temporary in the crisis (the war and its liquidation), that which is recurrent (the cycle of prices), and that which arises from a reorganization of the world's economic structure (the displacement of the economic centre of gravity). Since these three crises overlap and are superimposed, we risk falling into error at every step. After having long ignored even the possibility of permanent decline, we in Europe are now apt to exaggerate it.

I

European leadership is a comparatively recent event in the world history. At the opening of the sixteenth century, the European system did not dominate the whole of the Old Continent; the Turks were at the gates of Vienna, Russia still

turned towards Asia, Spain had only just freed herself from the Moors, and even the Mediterranean, formerly the axis of our civilization, was still more Levantine than Western. It was only after the Renaissance that Europe imposed herself irresistibly upon the other continents. She blossomed forth suddenly in a lightning succession of discoveries, expansions, and colonizations. As this coincided with the dormancy of the ancient civilizations, it resulted in the domination of the white race. This leadership of the whites, which has been synonymous with the leadership of Europe for four centuries, is without doubt an essential stage in the history of the human race. Now, however, certain signs may lead us to believe that it is simply a passing phase.

The reasons for this racial priority are easily understood. It was a question of '*une methode au service d'une passion*', to quote an expression used by Maurice Barrès in connection with Napoleon.

In his writings, now regarded as classics, M. Paul Valéry tells us that to the other races the white European appears to be possessed of an unbridled ambition, and to be incapable of realizing his own limitations; at the same time he brings to the service of his ambition a self-possessed spirit of criticism inherited from the Greeks. Thus,

to refer again to M. Barrès, frigid system is coupled with burning passion. The clash between the immobility of the older civilizations and the restlessness of Europe has engendered an immense upheaval. As the result of a change in the equilibrium the continents, Europe, previously simply a territory at the mercy of the invader, was transformed into a land of expansion. For several centuries, she has been destined to illumine and spread her influence over the rest of the world.

It was, however, only in the nineteenth century, and indeed owing to the industrial revolution, that the power of Europe reached its zenith. The birth of a new industrial technique, founded originally upon coal, the steam engine, and iron and steel, conferred an uncontested monopoly upon the Old Continent for more than a hundred years. In the coal age, which is now on the wane, she undertook to exploit the rest of the world, and it is no exaggeration to say that the whole world was unified on the European model. The spirit of this enterprise, it must be admitted, was at once grandiose and unstable. Science, which had been merely a matter of curiosity to the Greeks, became a source of power, while production, although entirely material, was trans-

formed into an object of idealism and apostleship, into the mysticism of progress. A new rhythm of life was thus brought into being, breaking with the past and the thousands of years during which the practical equipment of civilization had hardly been altered. We now see that it was really a great adventure, and that when we unharnessed the forces of Nature we might have proceeded after the fashion of the sorcerer's apprentice in the old legends.

In order to understand how Europe exerted this domination, and the methods by which she exploited the world, it is not necessary to refer to remote history. Those who travelled abroad at the end of the last century have simply to recall what they saw. So far as I personally am concerned I have vivid recollections of a voyage I took round the world from 1898 to 1900, when the star of the Old Continent had not yet begun to set.¹

Everywhere it was our money that was developing the natural resources which had previously lain idle. Everything depended on us, for we alone were able to provide the indispensable capital. Practically the whole list of possible investors came from England, France, Germany,

¹ I wish also to refer to the marvellous description of pre-war Europe which occurs in the second chapter of *The Economic Consequences of the Peace* by J. M. Keynes.

and a few countries in Central and Northern Europe. Even at that recent date the United States was still classed among the borrowers. But we were by no means merely lenders. In the majority of cases it was our engineers and administrators who went out with our capital, organized production, and were responsible for directing the enterprises. Mining engineers, as I remember, invariably turned out to be French or English; railways had Belgians, Swiss, or Scandinavians; all naval engineers were Scotsmen, and all foremen in cotton mills came from Lancashire. In this way industries and mines, railways and great undertakings of every kind, were carried on under the direction of a European *élite*.

Our efforts did not end here, however. It was our 'services', in the sense which the modern statistician gives to the term, which co-ordinated all international economic relationships. We provided almost without competition all international maritime transport, for, except for a few American and Japanese companies (the latter of recent origin), the whole of the modern merchant fleet came from Europe. International banking institutions and insurance companies were also almost entirely in our hands. In the countries peopled by the coloured races we had

thus superimposed a governing class, and in addition in empty and sparsely settled regions our emigration was creating new communities which tended to constitute a distinct overseas section of the white race.

Over her colonial empires the influence and authority of Europe was complete, but domination was by no means strictly limited to them. Apart from the United States and certain of the Dominions, international trade in the rest of the world was controlled by arbitrary decisions on the part of the various European governments, acting either individually or united in a common policy. They imposed customs tariffs favourable to themselves on China and India; they forced their way authoritatively into ports which were closed to them; they requisitioned, in practice if not exactly in form, the raw materials required by their industries. Everywhere they presumed to dictate the conditions under which development could be undertaken. They regulated not only the movement of goods but also of men, whether it was a question of slaves, servile or semi-servile labour, or European emigrants wishing to settle in the countries of their choice.

We were astonished if we received the slightest resistance, in fact we considered it scandalous.

That we profited by this expansion was obvious. By means of emigration we disposed of any surplus population that might have been burdensome, and created overseas customers for ourselves to whom we furnished capital in order that they might enrich themselves and so become consumers of our manufactured goods.

The partners in Europe sometimes lost what they had invested, but they usually recouped themselves in interest, dividends, and profits. In those days of middle class morality, all excess wealth was saved and used for further investment. Their role as investors afforded the Europeans the possibility of leisure in which to develop their culture. Without a shadow of doubt, Europe was the mainspring of all activity. She directed and moulded the world according to her own ideas, imposing her methods, her values, her fashions, and even her dress. In Victorian England people liked to say that Providence had entrusted them with a special mission. By divine right — I remember this perfectly so I know I am not exaggerating — Europe considered herself a privileged continent, the king of continents in fact.

We must now examine briefly the system of reciprocal trade between Europe and the other continents at the level established in the nine-

teenth century and maintained until the war. Generally speaking, Western Europe imported raw materials and exported manufactured goods. In 1913, for example, raw materials accounted for 76 per cent of the German imports, 80 per cent of the French, and 75 per cent of the British; on the other hand, the proportion of manufactures in the total exports of these same countries amounted to 75, 61, and 80.5 per cent respectively. The role of all non-European countries (even including the United States) was thus complementary. In spite of an evolution which was making them resemble Europe more and more closely, the Americans were still mainly exporters of raw materials (77 per cent during the period 1910-1914).

This system of international trade — or more exactly of intercontinental trade — was based essentially upon this contrast between the countries, and especially upon their complementary character. The position of the different peoples in the system was dependent on whether they were youthful, full grown, or old.

This regime was of course benefiting Europe by prolonging and consolidating the Colonial Pact, according to which all manufacturing was done by the Mother Countries. In the nineteenth century Europe, and England in particular,

believed that it would be possible to live under a regime of free trade with the other continents, but in point of fact instead of there being open competition she was really enjoying a monopoly.

2

The equilibrium of the world as it existed in the nineteenth century seemed to have been conceived in the exclusive interest of Europe, by a Providence at once attentive and partial. At that time it seemed to have been settled for ever.

In this commercial system, which is now disintegrating under our eyes, Europe was the factory of the world, the privileged, indeed the sole provider of all manufactured articles consumed anywhere. Out of this arose a double interdependence: the non-European countries depended on the old continent for their finished goods, their capital and their technical skill; while Europe depended on them for a proportion of her foodstuffs and raw materials. This proportion steadily increased as her industry developed, and her population both grew in numbers and drifted into the cities. The more this system was perfected, the more the Old Continent was forced to

turn to foreign countries to complete her economic life. In this way a complicated mechanism of exchange grew up, as well timed and delicate as clockwork. Although this equilibrium became more and more fragile, it was none the less effective and real: as we all remember, the system worked well.

The two chief industries of that period, iron and steel, and cotton, were Europe's by right of priority. She considered it her special business to supply mechanical equipment to the whole world, and to clothe the negroes whom she had converted. We are so accustomed to these privileges that when a young country to-day insists on setting up its own industry and closes its doors to our manufactures, our instinctive reaction is to declare that it has exceeded its rights.

The payment for these purchases and sales was not entirely carried out by an exchange of goods. The mechanism of exchange was more complex, for the invisible exports played an increasingly important part. A balance of payments was achieved which did not depend entirely on a balance of trade. Some countries invariably had a favourable and others an unfavourable balance, but these very deficits and surpluses became factors in bringing about the general state of equilibrium.

Having borrowed what they required for their development and indispensable imports of manufactured goods, the overseas countries paid their debts by exporting raw materials, which was the only means at their disposal. Of necessity, their trade balance was favourable, often extremely favourable.

On her side Europe, at any rate Western Europe, owed enormous sums for her imports of foodstuffs and raw materials, but she paid for them in a different way and less directly. Her industrial exports constituted the principal means of settlement, but 'services' (freights, commissions, etc.) and part of the revenue from her foreign investments easily compensated for her excess of imports. The outlet of emigration was always available as well. These different entries in the vast balance sheet reacted upon one another in complementary fashion, for by restricting in one direction expansion was stimulated in another. Exports in goods became less necessary as the 'services' were developed, indeed both exports and 'services' might have been reduced at the same time without cutting down imports if the interest and dividends from foreign investments had increased by a like amount. Under these conditions, it was essential for the trading balances of

the overseas countries to be favourable, and it was also normal for those of the great European nations to be chronically in deficit. Expert economists realized this, but public opinion was not accustomed to it. People still continued to reason, or rather to feel, as they had at an earlier stage of the mercantile system when the 'invisibles' represented only a minute fraction of international trade. They still persist in believing that the trading balance is as important as before, which no doubt explains why Europe was so discouraged after the war when the other continents were developing their industries with greater intensity than ever.

This simple analysis emphasizes the commanding position held by Europe, which after all was so justified at the time that no one dreamed of disputing it. The superiority of the Old Continent's industrial resources was evident. Up to the last twenty years of the nineteenth century, in the now finished age of steam, she was still pre-eminent in the production of coal and iron.

1870	<i>Iron Ore</i> Tons	<i>Pig Iron</i> Tons
World Production	30,700,000	13,000,000
England	14,600,000	6,000,000
Germany	4,300,000	1,500,000
France	2,600,000	1,200,000
United States	3,800,000	1,700,000

In 1880 England's coal output, amounting to 146,969,000 tons, was also in the lead, the United States occupying second place with 17,486,000 tons. It was only in 1890 that England lost the first place for iron ore; in 1897 she lost it for pig iron, and for coal in 1898, each time to the United States. In ferrous metals Europe as a whole is doubtless still ahead of the United States to-day, but her former monopoly has disappeared.

The real superiority of Europe resided, however, less in her natural resources than in the perfection and complexity of her economic life. The Asiatic civilizations though refined are of course still antiquated. When one crossed the ocean one was surprised to find that the social formations of the new countries of the white race overseas were not only superficial, but even primitive. Their problems are relatively simple, and how little they draw upon the past and upon tradition! I often think of the Californian who, in answer to a question from Mr. Wickham Steed as to what was the earliest historical event that had impressed him, replied after a moment's sincere reflection, "The McKinley Tariff".

In contrast with these shallow waters, the hereditary character that Europe has acquired

as the collective result of being the centre of civilization appears all the more significant, and we realize that this is an advantage which can be transplanted only with difficulty, and which the old countries will long continue to enjoy. It is relatively easy to set up a mining record when there is mineral wealth lying close at hand under the ground, and all that is needed is to bring it to the surface. It is also easy to copy industrial equipment, and to build factories near the source of the raw material in a position so advantageous that at first sight it appears to be impossible to compete with them.

One soon perceives, however — and especially if the work is difficult, or if skilled labour is required — that it takes several generations to build up a trained personnel. For example, it takes years to produce good sailors, or cultivators, or mechanics, or company directors, or, longest of all perhaps, international bankers. One can construct a factory in a few months, but an industrial equipment, in the complete and complex sense of the word, involves a human element and cannot be improvised. For mass production it is possible, but where it is a question of skilled technique, or of an industrial atmosphere like that of Lyons, or of a financial centre like

London, even many generations may be required to create it.

Europe enjoyed another and similar advantage in that she had advanced further than the other continents in her economic career, and had been able to accumulate capital well in excess of her needs, and even more than she could invest on the spot. Other civilizations also understood and practised saving, but in Asia for instance any money put by seemed to be buried, and never employed for any useful social purpose.

In the nineteenth century Europe seemed to have had the gift of creating capital charged with vitality. In the second chapter of his *Economic Consequences of the Peace*, Mr. J. M. Keynes, that brilliant English economist, pays an enlightened tribute to this faculty. At that period the accumulation of capital resulted from an instinct for work, which, in turn, had been inherited from the solid discipline of the peasant and middle classes of the past. It seemed so natural that people were hardly aware of its existence. They worked because they had always done so, and they did not consume the entire product of their labour. A rigid social tradition maintained the farmers' and workmen's standard of living at a comparatively modest level, since they were not

then organized to protest, nor ever dreamed of doing so. Higher in the social scale, the governing classes voluntarily kept their expenditure under control, automatically setting aside a large part of their profits as savings — ‘to what end’, writes Keynes, ‘was not clearly contemplated’.

Above all, the middle-class European endeavoured to consolidate his standard of living according to his station, and was anxious to hand it down to his heirs. As a matter of fact, in order at all costs to keep the capital thus accumulated employed, and not let it lie idle, it was often placed in foreign investments. The rashness of the middle class in this matter was in strong contrast to their prudence in other respects. These savings thus acquired a new character, as they became an instrument of economic expansion and conquest, since the money invested in foreign companies provided support for the export of manufactured goods; the borrower was naturally induced to buy in the lending country such commodities as he needed. During this phase in the world’s development, now over, the shareholder actually was the only provider of finished goods to whom the younger nations could apply.

This was especially true of England, the great nation of the nineteenth century, where for

generations they practised the art of making foreign investments play an economic role. This was an essential factor in the international system which we have just described, and it emphasizes the truism that among the advantages which Europe enjoyed, her maturity was not the least important.

3

In order to maintain this equilibrium, from which every one profited and especially the Old World, the great European nations, being principally interested, had to be continually on the alert. As a rule they acted independently and even in opposition, but they followed a common European policy. In the main this policy was ruled by certain definite necessities based on the nature of things. It involved if not always a doctrine, at least a method, a type of equipment, and a personnel. As she was economically dependent on them, Europe was obliged to take an interest in the other continents. Owing to the commanding position she had reached, she could not adopt a passive attitude, for she was condemned to a policy of expansion. This is the origin of the reproaches of imperialism which are constantly aimed at her to-day.

Europe's first preoccupation was to obtain supplies, in the full meaning of the word, not only foodstuffs for her increasing population but raw materials for her industry for which the natural resources of the continent were no longer sufficient. If imports were to cease or even be delayed, it would soon mean starvation for her people and paralysis for her factories. It was never a question of owning on the spot the total amount of foodstuffs and raw materials she might require, for the very law of her splendid development was not to be content with what Providence had endowed her. It was sufficient, but also necessary, to be able to buy freely in the international markets. This was the underlying meaning of the complete free trade extolled by the English Cobdenites. Nevertheless, if this free trade, which was so favourable to the interests of the stronger nations, had been refused as it tends to be refused to-day, she would I believe have taken by force whatever she wanted. There was no need to requisition agricultural produce which can be grown or found everywhere, but this policy came starkly into the open when it was a case of minerals, which are irreplaceable and must be taken where found.

A raw material policy was thus evolved, less by

the genius of statesmen than by the astuteness of business men. Their methods varied. Sometimes it was sufficient to obtain or impose free trade in the products in which they were interested. The next step was to seize financial control of the source of supply. Financial control was the minimum requirement, a more accentuated form ended up as a concession. In this way they endeavoured to forestall possible competitors, often other Europeans. This sometimes led to a sort of civil war between brotherly enemies. If they met with political resistance on the part of nominally independent governments, they exerted diplomatic pressure which was susceptible of developing on occasion into military pressure. And if all these methods were still not sufficient, they finally took possession of the territories containing the coveted riches, thus transforming them into colonies.

This policy of raw materials logically corresponded to a similar policy regarding markets, a policy no less essential for a continent which was overflowing in three ways, by sending forth her surplus men, goods, and capital.

In the nineteenth century Europe poured forth emigrants on a grand scale. Her health demanded this outlet, but it was also a condition of

her supremacy. She had to ensure this emigration, either by sending her *élite* to govern native colonies, or by installing whole populations in sparsely settled regions, among which we must include the United States.

Europe was also obliged to defend herself against the eventual expansion of other races, this being simply another aspect of the same problem. The danger was not for the mother countries, for this type of invasion belonged to the far distant past before the sixteenth century, but rather to the overseas territories they controlled, or where they had established colonies. To-day we fully realize that, consciously or not, a policy of defence lay behind this tide of European emigration. The Australian immigration laws against the yellow race, for example, would have been a dead letter had they not been based upon the might of Great Britain. We were not content merely with curbing other races which might compete with us, but we transported at will entire native populations whom we needed to exploit countries where the white man could not stand the climate, or undertake any hard labour. Under the ancient form of slavery and also under the more recent form of indentured labour, it is no exaggeration to say that in the days of her supremacy Europe

arbitrarily undertook to regulate the movements of men between the various continents.

Not less urgent was the problem of placing on the international markets the unending output of manufactured goods from the European factories. The policy outlined above for raw materials was also applied here in all its stages. In its most benign aspect it was simply a matter of imposing free trade on the purchasers, or at least of limiting their tariffs to harmless fiscal duties. So long as the Western nations kept a firm grip on the Chinese customs, it was always understood that the Chinese people were to have no protectionist ulterior motives. Again, while the Indian tariff remained exclusively under British influence, it was tacitly understood that Indian industry should not be allowed any type of protection which could possibly injure Lancashire. One of the principal advantages which Europe derived from her colonial empire was that she was able to carry on, more or less completely, the old policy of the Colonial Pact, which accorded privileged treatment to her exports in her overseas empires.

Politically speaking, the investment of capital was carried on in much the same way. When Europe lent money to a State, the service rendered

led unwittingly to the establishment of a protectorate. If it was a question of some particular enterprise which would be governed by the laws of a sovereign country, the temptation to demand some form of security came only too easily to the minds of those interested. In the case of a concession, the *concessionnaire* always had new favours to demand. If he was successful in obtaining his terms, thanks to the prestige of his government, a colony of exploitation would unconsciously be developed.

The pre-war European like the American of to-day would tolerate little resistance. He would not allow a second-class overseas power to legislate against him, and the moment that the force of a government began to be felt behind the peaceful façade of individual initiative, financial expansion fatally assumed the character of political expansion. The only really effective obstacle was the jealousy the various States felt for one another. The Monroe Doctrine which kept the New World free from the political interference of Europe, was only a special instance of this jealousy. When this jealousy was not present, as for example in the case of private preserves or when a common policy was being carried out, resistance was difficult. Dollar Diplomacy is not

in reality the invention of the United States, for Europe practised it long before they did.

A policy of communications was finally imposed, if not by Europe as a whole, at least by the governments which formed the advance-guard of expansion. When a country, owing to its structure or to the development of its foreign trade, lives upon its imports and exports, the question of international communications becomes of primary importance. It then becomes anxiously concerned with world trade routes, especially maritime, for it realizes that if they are closed it would mean economic death, or at any rate the end of all widespread activity. When countries and continents reach this point in their development, they become solicitous about the freedom of the seas. If they are sufficiently powerful, this expression is simply a polite way of saying that they intend to rule the seas.

In the light of long experience the conditions of this policy of trade routes are clearly apparent, and astonishing as it has been, recent technical progress has not changed their basic character. The security of international trade, which naturally is of primary interest to those engaged in it, must above all be assured. To them this security means the right to use the routes which

bring them in contact with the different parts of the world. Thus they require, to quote Article 23 of the Covenant of the League of Nations, 'freedom of communications and transit', liberty of passage across isthmuses, through straits and international canals. Even this is still not sufficient, for the right of passage through international canals means nothing if one does not possess control of the seas to which they give access, as they are often narrow and full of dangers. What advantage would it be to control the Suez Canal without the Mediterranean, or the Panama without the Caribbean Sea? To exert such control an extraordinarily complex political equipment is necessary, with a highly perfected organization and long experience in directing it. Moreover, a fleet of warships able to police the seas is required, supported by a system of naval bases and refuelling stations, a network of submarine cables, wireless stations, and aerodromes spread out over all the great trade routes of the world.

The political consequences of such control are enormous. Those who make the most use of the routes nearly always undertake to keep watch over them. Sometimes financial control is enough, or they may be even content with international

control if it seems to afford reasonable guarantees. But usually those specially interested aim at military control, which alone can give complete satisfaction. This is true of England and the Suez Canal, and the United States and Panama. Although in these two cases control is exerted by a single power, at bottom it is continental. Thus it would not be inexact to say that the Suez Canal is controlled by Europe and the Panama Canal by America.

In the course of their development all the first class powers which have aimed at world influence have been attracted by this triple programme, which is essential for economic leadership: (1) control (in the American sense of the word) of raw materials, (2) administration of international credit in order to regulate the rhythm of production and trade, and (3) domination of the maritime routes over which all supplies, all exports, and all commerce must pass. Only in this way can world influence be attained, and the argument applies with equal force to continents or States.

Until recently Europe alone played this world role, but in the twentieth century she is no longer allowed to exert the same complete domination as before.

Thus in the nineteenth century a complete European system existed, coinciding with an international economic regime under the direction of Europe. Viewed from within, the Old Continent hardly gave an impression of unity, but seen from abroad, and especially from a distance, the vigorous personality and unity of her civilization was clearly manifest. In Asia, Africa, Oceania, and even in America, no matter how much they differ or how bitter their rivalry, Englishmen, Germans, Frenchmen, though perhaps not always the Russians, were all aware of their common European character. Similarly the nineteenth century did not appear to the people of that day the way it does to our eyes after the passage of time. We sincerely regarded it, especially towards its close, as a period of political nationalism and tariff protection. Who could have predicted indeed that Méline and McKinley, the two bugbears of Liberalism, would eventually seem moderate in comparison with their ferocious successors? Thus we misjudged what by contrast may be considered in the future to have been its most marked characteristic, its economic internationalism.

From the moment that one left the shores of Europe, this internationalism was expressed in the economic system which England had established all over the world. As Elie Halévy has aptly remarked, one entered a sort of 'international mercantile republic'. Its English character was shown by the Union Jack, but it was open to all, at least to all white people. Over it reigned that great British institution, Fair Play. A voyage round the world in those days, even if one travelled outside the British Empire, was carried out pretty well under the aegis of Great Britain. The English language (not American as it would be to-day), whisky and soda (cocktails had not yet been invented), the pound sterling (rarely the dollar), were almost everywhere the rule. What was so astonishing about this system from which all the white races could benefit was that trade moved with paradoxical ease, although the technique was greatly inferior to what it is to-day. The English Cobdenites lamented that they could not persuade the rest of the world to adopt free trade, but in reality the barriers were reasonable enough. Tariffs were tempered by a network of commercial treaties including most-favoured-nation clauses, which attenuated all their harshness. The diabolical technicalities developed in

the post-war period, such as the quota and foreign exchange control, had not yet been invented.

Transportation did not move with lightning speed as it does to-day, but travel was regular and made very easy by allowing complete personal liberty. Although we did not realize it, emigration moved practically unchecked, and so far as ordinary passengers were concerned, passport formalities were reduced to a minimum, indeed were almost non-existent. When I went round the world on the eve of the Paris Exposition of 1900, I did not have to produce my passport once. A visiting card or a letter of credit was all that was necessary, and at most frontiers they did not ask for anything. The white man was accepted everywhere, and if he had any difficulty he had only to say *Civis Romanus sum*.

For several generations one of the most important traits of the international atmosphere was its stability: a stability of tariffs which changed little, and of commercial treaties which were rarely denounced; a stability of credit in a century when great nations did not go bankrupt, and when British Consols and French 3 per cent *rentes* were as solid as a rock; a monetary stability when all trace of assignats, of inflation, and of spurious money had disappeared from the memory of

Western Europe — with what supreme disdain Paul Leroy Beaulieu referred to countries with 'unsound finances'! Finally, there was contractual stability, for signatures were respected, and no one thought of congratulating people who kept their word. This regime was mainly inspired by England, but its good influence spread over the whole of European civilization, to the general profit of the white race. The principal beneficiaries were the Europeans, who took it for granted and considered it permanent, almost statutory.

To-day, thirty years later, when I look back on my own attitude at that time, I am almost appalled. I may have been modest enough personally, but my pride at being a white man and a European was all the more extraordinary because it was unconscious. That my race and my continent should be accorded every privilege seemed quite natural, nor did I nor anyone else think for a moment that this splendid leadership would prove to be only an exceptional and passing phenomenon. It was quite excusable for us to feel as we did, considering the marvellous activity of the white race the whole world over. The magnificent epic with the white man as hero was popularized by Jules Verne in a hundred volumes

which were read everywhere. Was it astonishing that Europe should have been puffed up with pride, when in very truth the entire world was her empire?

England, the pioneer in this great work, was the first to feel its prestige, and so the imperialist movement was born. 'The several quarters of the globe', wrote Stanley Jevons in 1866, 'are our willing tributaries. The plains of North America and Russia are our cornfields; Chicago and Odessa our granaries; Canada and the Baltic our forests; Australasia contains our sheep farms, and in South America are our herds of oxen. Peru sends her silver, and the gold of California and Australia flows to London; the Chinese grow tea for us, and coffee, sugar and spice arrive from the East Indian plantations. Spain and France are our vineyards, and the Mediterranean our fruit garden; our cotton grounds, which formerly occupied the Southern United States, are now everywhere in the many regions of the earth . . .'

In painting this picture, Stanley Jevons was thinking of England, but it applied equally well to Europe as a whole. In his book, *Greater Britain*, written at about the same time, Sir Charles Dilke poetically revived the Olympian doctrine of ancient mythology, according to which Europe

made the other continents work for her just as Omphalus had enslaved Hercules.

The impression we made on other races, although it recognized and confirmed our premier position, included certain touches which altered the colour of the portrait. From their vantage point they realized our unity better than we did ourselves. In India we were not English or French, but 'sahibs'; in China we were 'foreign devils'. They admired us less for our creative genius and our splendid achievements, than they feared us for our insatiable ambition. But ethically they judged us coldly, emphasizing mercilessly the contradiction between the religious principles which we advocated so Phari-saically, and the imperialism which we practised so cynically. Already they regarded us much as Paul Valéry depicted us much later in the following description: 'The European is defined not by race, language, or habits, but by the desires and power of his will. In his way he is a monster. His memory is too long and too overcrowded. He has extravagant ambitions, he covets limitless wealth, and is unceasingly greedy for knowledge'. In a word we are no better than madmen to these people whose sages have preserved their traditional wisdom.

On the hypothesis that the system which was enriching her would last for ever, Europe built up in the end an excessive industrial superstructure, on which depended a population which became almost too numerous. The equilibrium was still maintained, but it became more and more delicate and precarious. For this state of affairs to have continued, the world would have had to accept once and for all the complementary division of labour to which I have referred. Europe would have had to remain the specialized workshop of the globe. But what would happen if one day the non-European countries refused to bow before this hierarchy, and insisted upon using their own natural resources by transforming them on the spot? This is exactly what has taken place, and to-day this is the European crisis.

THE TWENTIETH CENTURY

THE TWENTIETH CENTURY

THE irresistible domination that Europe exerted over the rest of the world until the beginning of the twentieth century is now challenged. This is perhaps the most serious event of our time, for the very prestige of the white race is involved.

Since the Renaissance and the great period of discovery, Europe has been expanding along two main lines: first, by establishing settlements of her own people, and secondly, by taking possession of natural resources wherever the white man could not colonize. Both aspects of this domination, from which few non-European countries escaped, have since been contested. The first stage, which goes far back into the past, was the emancipation of the overseas white countries which asserted their autonomy or their complete independence of their mother countries. We must note, however, that the supremacy of the white race was not involved, but only the right of the Old Continent to rule the rest of the world. The

second stage is bringing another emancipation, which is more disturbing because it appears to be a revolt of non-European races, which refuse to submit any longer to our control. What now is at stake is not only the authority of Europe, but the power of its proud race, which until recently would not brook the slightest discussion of its arbitrary rule. An American writer, Mr. Lothrop Stoddard, has described this movement of revolt under a striking title: *The Rising Tide of Colour*. Ever since the Middle Ages the people of the white race have been spreading over the face of the earth like an irresistible flood. Are we now watching the ebbing of this tide?

What startles us in this crisis is its suddenness. If we turn back a little we can no doubt discern many signs of its approach all through the second half of the nineteenth century, but such portents almost completely escaped the notice of the writers of the time. To them the ascendancy of the race and the continent combined seemed firmly and definitely established. Nevertheless the crisis is now here before our very eyes. The problem which we are facing is a fundamental change in the relations, not only between Europe and other continents but between the white and other races. We feel that the earlier conception of

the West has surreptitiously evolved. To-day European civilization does not coincide with Western civilization, of which an important part is no longer in Europe nor solely dependent on European tradition. That this change is significant is proved by the fact that people who travelled extensively before the war, now leave our shores impressed with the gravity of the present situation.

Certain non-European communities belonging to the white race quickly obtained their political independence: the United States as early as the end of the eighteenth century, and the Spanish and Portuguese colonies in South America at the opening of the nineteenth. A similar movement naturally began to unsettle the British colonies, but here a wise old mother country, having learned her lesson in the past, avoided revolt by guiding the forces of emancipation through a long process of peaceful evolution. The unity of the Empire was never broken, not formally at any rate.

The principle on which the new status of the Dominions is based was granted as far back as the Imperial Conference of 1917, but was only definitely codified in the declaration of 1926. The Statute of Westminster in 1931 simply put

into writing certain logical consequences of a system already accepted. This ended a chapter.

Complete equality i.e. the independence of the former 'colonies', was then solemnly recognized. Henceforth each Dominion would be responsible for its own foreign relations, and therefore the Empire need not follow a common foreign policy. This means that the centre of gravity of the British system is displaced, a fact which is bound to have, from the point of view of Europe, far reaching effects. No doubt this constellation will continue to gravitate around its European centre, though the Empire is coming more and more under overseas influences. The British policy is thus loosed from its axis, and attracted away from Europe by the pressure exerted by far-off governments, who live their own lives independently of ours.

This change in the British Commonwealth illustrates the transformation which has taken place during the past generation in Europe's position as leader of the world. In the nineteenth century the British might have taken as their motto Virgil's famous saying, *Tu regere imperio populos memento*; the English proconsuls resembled those of Rome. We still remember the decisive part they played in the formation of such fine

political units as Canada, Australia, New Zealand and South Africa. To-day, however, the Dominions no longer need the *élite* of Great Britain. On the contrary, Australians and Canadians, cordial but familiar, now propose their good offices without being asked, and offer advice to the Old Country, which, in the light of long experience, smiles benevolently upon their youthfulness.

In the economic field, emancipation has been neither so rapid nor so complete. It may even be less real than we were inclined to believe in the humiliating years after the war.

Although politically free for over a century, the Americans long retained a certain colonial quality in their economic relations with the Old Continent. It supplied the capital they needed, and also all forms of technical skill, from mechanics to consulting engineers, and foremen imbued with the European tradition, without whom the Americans could not have set up their own new industries. Owing to the fact that their centre of gravity was on the Atlantic coast, their commercial relationships with Europe retained a predominance which they are now tending to lose. Towards 1890, although the U.S.A. began to figure as a young giant, it was still developing

in the wake of old Europe. The very fact that we regarded the Americans as eccentric, shows that we still considered ourselves to be the real centre of the world.

Since that time the economic emancipation of the United States has passed through three periods. In 1890 it definitely initiated its industrial independence by the McKinley Tariff, and then began to oppose Europe both consciously and aggressively. This is an outstanding date. Its importance by no means escaped notice at that time.

The second period began with the war, which reversed the flow of capital, and transformed the United States from a borrower into a creditor country, so that for a time at any rate it took the place of England as the international banker. The war, during which Europe was obliged to withdraw from the scene, over-stimulated the development of industry in the New World. Once this movement got under way, it shot ahead in the exceptional prosperity of the post-war years, carrying the American manufacturers along with it in a rhythm of truly marvellous progress.

Just as Western Europe was the originator of the industrial revolution in the eighteenth century, so the Americans have been the incomparable

pioneers of mass production, of the methodical organization of industry and of the new methods which have been changing the face of the globe during the past twenty years. This is the third period, during which the United States has become so completely independent economically, and especially industrially, that it is tending to break away altogether from European inspiration. It has now become a centre of gravity in its turn, and as a result we find its people greater strangers than ever before. Lincoln, although born and bred on the prairies, still spoke our language, but Henry Ford seems to have appeared from another planet.

In both the British Dominions and Latin America we find the same ambition to attain economic independence. There is the same eagerness to create new industries protected by tariffs raised ever higher and higher, the same careful regulation of immigrants, and the same aspiration towards complete economic nationalism. They seem all to be following an economic law, from which no new country may escape. Although their aims are obvious enough, the result is not yet decisive, for whenever it is a question of difficult technique, they still depend on skilled personnel imported from abroad.

In the same way they depend for their equipment and the higher grades of manufactured goods almost entirely on imports. No doubt they can exist without imports — in Latin America during the recent depression they have been doing so — but only at the price of sacrificing much of their standard of life. Whenever contact with Europe or the United States is cut off for any length of time, a setback in material civilization immediately follows. Financial independence has not yet been realized, for hardly any of these young nations can afford to do without foreign capital if they wish to continue developing their natural resources.

Finally, there is another aspect of the development of the Dominions, especially those facing the Pacific, which proves that they have not yet attained full independence: this is that they still require protection from the eventual demand of the coloured races for admission. It is this colour rivalry, which we inevitably encounter as soon as we leave Europe, which makes the regime of a protectorate an urgent necessity. Were they not shielded from the biological pressure of the yellow races by the prestige and power of the Empire of which they form a part, their immigration laws would be swept away like feeble dykes.

Thus, in spite of verbal protestations and occasional outbursts which may deceive superficial observers, these countries are still economically and financially, sometimes even politically, mere satellites. The danger, so far as Europe is concerned, does not lie in the menace of complete independence, for that is far from accomplished and often not desired, but rather in a change in the attraction about which they gravitate. That the non-European white countries are as faithful to their race as they are to Western civilization, is proved by the excessively rigid policy of White Australia and the colour bar in South Africa. Actually it is the more remote sections of our race, people who live on its farthest frontiers, who are prepared to defend it most passionately.

Nevertheless, these communities which form the vanguard of Europe have ceased to be European: Canada, Australia, New Zealand, South Africa and Argentina are all developing in an atmosphere which geographically differs completely from that of the Old World, being much nearer to that of the United States. As they have all been populated and built up on much the same lines, they have the same business methods, the same rhythm of expansion in prosperity, and the same stagnation in depression. Life in these

new countries is always much the same, partly because their climate and circumstances require the same standards and equipment. The United States is simply a stage ahead of the rest in its evolution, but otherwise they are all about the same age and of the same type. They form the overseas section of our Western civilization, which has overflowed the boundaries of the Old Continent.

So long as countries of the dominion type have not completely graduated from the colonial stage, and therefore feel the need of an economic, financial and even a political centre, the peril for Europe is not that they may prematurely seek their independence, but that they may eventually gravitate about another axis, and that axis can only be America. During the post-war years, when Europe was humiliated, and when the power of the United States was increasing by leaps and bounds, we had a glimpse of what gravitation about a new centre would mean. The Americans were launching out in the financial world, and Wall Street was trying to supplant the City as the international banker. The same thing happened in the export markets, for the young countries of the white race began to rely on American manufacturers to provide an entire

section of their requirements. The list of articles for which they turned instinctively and exclusively to the United States was most striking: motor cars and their accessories, gramophones, radios, cinema films, typewriters and calculating machines, electric utensils both domestic and industrial, mass-produced office furniture, road construction machinery, oil derricks, etc. Twentieth-century products were replacing those of the nineteenth — textiles, hardware, railroad equipment, and coal — where British industry formerly reigned supreme. In any case, having similar customs and climate, it was only to be expected that these overseas clients should be attracted to a source of supply so closely resembling themselves.

So far as racial defence is concerned the situation is much the same, although it is difficult to speak openly on this subject without arousing protests. Australia, New Zealand, and Canada know full well that the strength of their defence against the yellow race does not lie in their own efforts. They must have a protector of the Imperial class. England is there, but if she were to fail them, or even weaken, it is to America that they would turn. They already have in the back of their minds the idea that they might require some protection extending beyond politics and

the flag, some plan involving both their race and their civilization.

'White Australia', writes an author in the *Antipodes*, 'is not a political theory; it is a gospel. It counts more than religion, more than the flag. . . . The doctrine of a White Australia is, in fact, based upon the necessity of choosing between national existence and national suicide'.¹

In 1921, on the eve of the Washington Naval Conference, the Australian Prime Minister, Mr. Hughes, said: 'I salute with satisfaction every American warship laid down in the shipyards'. What is the meaning of this remarkable declaration, if not the hope of support should Australia ever be involved in a racial struggle in the Pacific? If such fears are consolidated, our western civilization risks having two centres in the near future — indeed, this may be the case already.

In these forebodings I am no doubt alluding to something which is hardly admitted, even by those most closely concerned. Politically the Dominions are suspicious of the United States, and at heart they dislike it. And yet, hidden beneath this antipathy exists a real affinity, and we cannot afford to ignore it. The eclipse of

¹ J. F. Abbot, *Japanese Expansion and American Politics*, New York, 1916.

Europe on the morrow of the war has now been followed by the eclipse of the United States. Owing to the depression which is so seriously compromising its prestige, we are inclined to under-estimate its importance, just as its prosperity of yesterday led us to exaggerate it. Since its policy at the moment appears to be devoid of all idea of expansion, Europe, and especially England, is tempted to feel more confident again, and I think with reason. Nevertheless, the great mass which makes up the United States remains to all intents and purposes too powerful a force not to exert, sooner or later, an irresistible attraction.

Even to-day this is shown clearly in the foreign policy of the British Empire, as England is finding it difficult enough to retain her unique and uncontested position as its centre. This subtle *dis-Europeanizing* of the greatest political system in the world is in itself significant, and if it continues, a whole series of countries may eventually be attracted into a new orbit outside of Europe to model their culture upon that of the United States. From now on we must recognize the fact that there exist two directing centres for the white race and Western civilization, and Europe, though traditionally accustomed to reign supreme, is now only one of them.

The emancipation of the coloured races is a very much more important development than the European crisis. To appreciate its seriousness we must realize that it affects not only Europe, but also the relations of the entire white race with the rest of the world. We have to admit that this revolt, which is taking place under our very eyes, is the outcome of our domination of their civilization. We brought these peoples into contact with Europe, and this, acting like a ferment, has awakened them from their age-long sleep. Now they are turning against us the methods which we have taught them, and are taking advantage of the racial consciousness which we have stirred up in them.

M. Paul Valéry's classic observations on this subject are worth quoting: 'Europe laid the foundations of science. Science has transformed civilization, and has multiplied the power of those who possess it. By its nature it is essentially capable of being transmitted, for it can be resolved into certain methods and formulae of universal application. The means which it has given to the one can be acquired by all. . . . This commodity, therefore (regarding science as some-

thing that can be bought and sold), is being produced in forms which will become more and more useful and consumable. It reaches a clientèle which will become increasingly numerous. It will become an article of commerce, an article which can be copied and reproduced everywhere.'

The leadership of the white peoples is thus jeopardized, since other races are availing themselves of its aims, of its methods, and its mode of living. Imitation and revolt, curiously enough, go hand in hand, and the very homage paid to the white race is being used as a weapon against it, for it is accompanied by the triple demands of the coloured races for political, economic, and racial independence. Both Europe and America feel this menace. The whole of Western civilization is affected. Europe indeed is doubly threatened, because it is probable that when they imitate the whites the coloured races will also turn more and more towards the United States.

Such fears may be groundless, for the Old Continent, which is still efficient, may regain its lost prestige, but we must not overlook the fact that since the war the material progress of the world has been developing on the American plan. When, in the process of their rejuvenation, the coloured peoples require equipment, they place

most of their orders and obtain their technical experts in the United States. They look to the Americans, too, for advice in women's fashions, for cinemas, for the so-called scientific ideas, and even for amusements. Thus, while the white race is undoubtedly threatened, there exists in the heart of this crisis another, which is jeopardizing Europe in particular. Of the two, the first is the more serious.

The supremacy of Europe and the white race is now definitely questioned, and the universal system, based on their privileged position, no longer avails. The nineteenth century was an age of liberalism and economic internationalism, but this freedom was strictly limited to white people. They alone profited by it, for the world at that time was directed by them and for them alone. It was not the doctrine of equality to which they were committed, but rather to one of complementary trade. This arose from the Colonial Pact, which assigned to each continent, according to its economic development and colour, its own special functions and privileges. Even within the superior race Old Europe was treated with a certain deference.

What is so new about the twentieth century is that its widespread economic nationalism declines

to recognize this liberal tradition. Every country now insists upon developing its own industries, and becoming a completely independent unit so far as possible. This ambition has been openly manifest all over the world during the past twenty years.

A fact of immense significance, probably much more serious than we realize, is that since the war the Indian Customs Duties have been freed from British control. The same thing has happened in China. The Customs there were formerly under an international administration in which English influence predominated, but they are now almost entirely controlled by the Chinese themselves. The immediate consequence in both cases has been the substitution of protectionist tariffs for duties which previously were purely fiscal, and which had been arranged for the benefit of the trading interests of the West. We can measure the loss to European influence if we consider that these two markets alone contain some seven hundred million people. Manchester bitterly resents it, for unfortunately it is not easy to re-climb the slope. Europe is meeting with competition everywhere, even in markets which she used to consider her own. The system is tottering, and must be revised.

This emancipation of the coloured races, however, is not only economic and political. To their political nationalism and their tariff walls must also be added racial pride, as well as cultural and religious nationalism.

A startling light was thrown upon the direction in which this religious nationalism is tending at the Congress of the International Council of Protestant Missions, which was held at Jerusalem in 1928. The report of the Missions' work disclosed a change which is almost revolutionary in character, as their efforts are gradually ceasing to be propaganda inspired and directed by the West. In the first place the composition of the missionary body itself has been modified, for one-quarter of the delegates to the Congress represented the young churches of Asia and Africa, which are coloured. Another singular thing emphasized by the Europeans who were present at the discussions was that the influence of these newcomers was not only effective, but was even greater than their numbers justified.

Whether owing to liberalism or weakness, it is evident that the attitude of the West towards these exotic influences is more passive to-day than it has been before. Perhaps, too, Europe finds it necessary to make concessions. There was a time when

it was an advantage for a missionary to appear as an ambassador of Western civilization, of the 'superior race', but now we are beginning to see that the policy of the Jesuits in China in the past represented real wisdom. We now realize that Christianity cannot succeed, as the Roman Catholics have long understood, until it discards its foreign dress and becomes an integral part of the national life.

As a reaction against our racial nationalism, there has evolved a new type of nationalism, which insists that it can find its own basis in religion (even in Christianity) as well as in other matters. When the young coloured clergyman asserts his independence, he creates for the churches of the West delicate problems which will have to be dealt with in the future. Rome is aware of this. One begins to wonder whether certain of these coloured churches are not even already exerting a real influence upon us in the West. This is an example of the moral slackness of our present civilization, which may be owing to a lack of vitality.

This crisis — for such it is — is bringing into the open the question of the spiritual leadership of the world. How far are we exerting our leadership to-day, and how far shall we be allowed to exert it to-morrow?

The West has long believed, rather naively perhaps, that in the world it stood for spirituality, in fact to a certain extent the English and the Americans are still convinced of it. But is this really the message that we have been spreading during the period of our irresistible expansion? In the Orient, and even in the Near East, the impression which we have given is very different. We are obliged to admit — as was confirmed by the Jerusalem Congress — that in our conquest of the world we have brought with us more materialistic energy than religious spirit. Americanism, in spite of its undoubted idealism, is an admirable case in point. The American idea of progress is so closely akin to efficiency and well-being that it is not spiritual at heart, even where it is not egotistical. The civilization which Europe and America represent aims at a better organization of life from a purely material standpoint. It is in this avowed determination to rise higher in the material and social scale that we differ from the traditional resignation of the East.

Perhaps this is the real explanation of the astonishing effect we have upon men and things. This combination of frantic materialism and humane idealism often involving sacrifice, marks the sum total of the wretchedness and grandeur

of our work in the world. That the white man has behaved like a slave-driver, a pirate, or an insatiably greedy exploiter, is unfortunately only too true. Nevertheless the scales are counter-balanced by the fine moral calibre of so many of our race whose noble ambition, whether in the Missions, in colonial administration, in the army, or as humble emigrants, has simply been to try to make mankind more civilized — to make the world a better place to live in. To ignore this is to misjudge an entire aspect, at once epic and magnificent, of the civilizing effect of Europe and the United States.

Out of all the luggage we brought along with us — our conquering armies, our doctrines, our methods, our capital — what has most effectively gripped the foreign races with whom we have been in contact? The reply is disturbing, for what we have planted most firmly seems to have been our materialism.

Mr. J. H. Oldham, a penetrating observer with wide knowledge of world problems, writes significantly on this subject: 'In the educated classes almost everywhere, the most serious rival to Christianity is not the old traditional religions, but rather what we may call secular civilization. In it we find a conception and an interpretation of

life which only recognize the natural order of things, insisting that, by his own effort, man is capable of saving himself and of organizing his own social order. Seen from a lower level, this secular conception of life represents the belief that pleasure and material success are the true main-springs of existence. Under the double form in question, such convictions are soon confessed by many social classes in all countries. A philosophy of life, common to both East and West, is thus in process of being born, if it is not born already.'

Whether consciously or not, such is the example we have been given. This Nietzschean philosophy which is spreading everywhere is one of the principal characteristics of our civilization. We all know what a magical effect the mere word 'success' has in the United States!

The West flattered itself that it could convert the world to Christianity, and tried to do so. But the result, whether rightly or wrongly, is that the message which has been retained by the coloured people is the inspiration of our mechanical genius. At the present time the motor car, the cinema, the radio, the telephone, the gramophone, and the aeroplane have penetrated into the remotest towns and districts; nor is it the whitest and the

most civilized races who are the most enthusiastic about these new inventions. We are amazed at the eagerness, the pleasure, and the ease with which primitive people and members of ancient outworn civilizations are adapting themselves to these forms of ultra-modern existence for which they are quite unprepared. We may even go so far as to say that these neophytes have a mechanical dexterity, a physical agility, and a reflex speed which our races, although socially more developed, do not possess — or no longer possess. On the narrow giddy roads of the Andes the Indian drives a Buick or a Ford with a coolness which compels our admiration.

Is this modernization of the coloured races — yellow, black, red, or brown — likely to go much farther? Well may we wonder. Although they may use, often only superficially, all this new equipment, their national spirit still remains on the defensive, and victoriously defends its personality. Our influence cannot penetrate beyond a certain point, after which we are baffled by their reserve. When they begin to borrow from our technique, our prestige decreases after a time. They naively persuade themselves that they are our equals because they have now learned to use our machinery and weapons. We are always able

to introduce new elements, however, even unconnected with the externals of life. Meanwhile, the ferment which we are injecting into their souls, and which may prove dangerous, is the revelation that after having passively submitted to privation for countless centuries, it is now possible for the human race to combat misery, to live without too much suffering, and — unheard of idea — to enjoy the good things of life. 'Then the masses are not always to be excluded from these material advantages?' asks the coloured workman.

In a sentence weighty with prophecy, St. Just once said, 'Happiness is a new idea in Europe.' Though others may appreciate philosophic pleasures more than we do, it is certain that the most tangible lesson to be learned from our civilization is the impatient desire and restless quest for comfort. So it has come about that, without even knowing what we are doing, we may have been the imprudent instigators of social upheaval and revolution.

In this swift drama, of which the beginnings were scarcely perceptible thirty years ago, the spiritual and the temporal are closely interwoven. Our wise observer, Mr. Oldham, comes to the conclusion that 'modern society has severed its

relation with the eternal; science, technique, and economic organization have all to do with the material. Modern man has established himself in the sphere of the human, and it would be almost hopeless to try to convince him that any other attitude is possible.' Once this is admitted, the world, organized in its turn on a material plane, will use against us our own weapons and our own philosophy.

3

In the transformation of the world, which has been taking place with fantastic speed during the past twenty years, the war played a special part. Its influence certainly was enormous, but as is generally the case, people were apt to exaggerate it at the time. Now, when we have had time to gain a certain perspective, we see that the dislocation of the trade balance between the continents was due less to the war than at first appeared, for although the war undoubtedly hastened it, the crisis would have taken place in any case. The breaking up of the European monopoly was caused by forces which were already at work in the last quarter of the nineteenth century.

In order to realize this fully, we must study the economic history of England, since, so far as industry is concerned, she has always been in the vanguard of Europe. As early as the 'eighties we begin to perceive certain signs of weakness in her supremacy, which hitherto had been triumphant and uncontested. Overseas markets began to shut out her imports when they created industries of their own, so that her export trade no longer made such astonishing progress as before. In this matter England was typical of the rest of the continent, except that since she had advanced further along the road to industrialization, she was more exposed and vulnerable.

It is hardly accurate to say that the war created a competition which was specifically new, but undoubtedly it did upset a delicate international mechanism which had already become fragile. The even tenor of the foreign exchange market was shattered, and the production of the belligerents was diverted away from sensible economic goals. Meanwhile the overseas countries, in a frenzy of excitement, pushed on the over-development of their industries to extremes. We have not yet recovered from this orgy. Although certain trade routes, which were temporarily abandoned during the war, have since resumed their normal

course, the chart of international economic relations is not, and never will be, the same as before the catastrophe.

The international commerce of the wartime period is worthy of serious study, for it gives the clue to much which will take place in the future. Let us now try to trace the more important currents in this labyrinth of statistics.

In so far as international trade is concerned, the first effects of the war were felt by the belligerents, and especially by the Allies, for they alone were still in contact with the outside world. An urgent demand arose for vast quantities of foodstuffs, raw materials, and manufactured goods. No delay was possible. The armies had to be equipped and fed, civilian populations provided for, and an increasing number of refugees and dependants of all sorts had to be supported. As they were disorganized by the mobilization of the armies, and also obliged to concentrate on the output of munitions, the allied nations were totally unable to supply their home markets from their own industrial resources. Accordingly they turned aside from their accustomed routine, and placed orders abroad of unprecedented size. Central and Eastern Europe, their natural source of supply for foodstuffs and manufactures, were

cut off in the twinkling of an eye when commerce with the enemy became a criminal offence. This caused the Allies to fall back on the resources of far-off countries, with the unhealthy result that their overseas imports suddenly became abnormally large.

Meanwhile, these same countries, since they could not supply even their own needs, necessarily lost their ability to export. There was no hope of keeping this trade, not merely because they were swallowing up practically all their own output, but also because they were forced to abandon anything not directly concerned with the life and death struggle in which they were engaged. As their exports were reduced to a minimum, and as they were importing everything they could lay their hands on, their trade balance naturally became disorganized to an unprecedented extent. When the statisticians reckoned up their totals, they were appalled at the figures. It was not only that the volume of these exceptional imports was growing steadily, but owing to the rise in prices the debts contracted were colossal.

The situation in France, which was typical of the others, was very striking. The following table shows how enormously her imports had increased by 1917, when the war activity had reached its

peak, while at the same time exports were falling away disastrously:

FRENCH IMPORTS (IN MILLIONS)		
	<i>Value</i>	<i>Quantity</i>
1913	8,421 frs.	372 quintals
1917	27,554 „	348 „
FRENCH EXPORTS (IN MILLIONS)		
1913	6,314 frs.	220 quintals
1917	5,676 „	29 „

Taken in detail this trading account emphasizes the requirements of a country at bay: imports of foodstuffs have increased slightly in amount, but their value is multiplied by four; raw materials, although less in quantity, have doubled in value; while manufactured articles are inflated by 25 per cent, but their value is five times as great. Expressed in francs — which did not depreciate seriously until 1920 — the value of the purchases of meat abroad was multiplied by twelve, cereals and coal by four, motor cars and woollens by twenty. At the same time the exports of French foodstuffs declined by 75 per cent in quantity and 50 per cent in value. Such was the terrible toll of this unprecedented crisis.

In neutral and overseas allied countries, however, the effect of the upheaval was exactly the opposite. Primary producers were given a splendid, indeed incomparable opportunity. They

exported everything available, and fixed their own prices, which the bewildered buyers had to accept without discussion. There have been other wars in the past, but never one on this scale. Thus, the United States exported its wheat, meat, minerals, metals, and oil; Canada her cereals, meat, jam, butter, cheese, and wood; Argentina her wheat, maize, meat, and wool; Brazil her coffee, meat, and hides . . . the list of this joyous band of shippers goes on indefinitely!

Although exports from neutral, and especially from overseas, countries undoubtedly increased when measured by weight, when measured by value the figures rose to fantastic heights. The allied countries overseas, such as the United States after 1917, must be classed with the neutrals, although of course certain credits granted during the war will never be entirely paid off. The following figures tell an eloquent tale of the irresistible demand for goods:

	EXPORTS (IN MILLIONS)	
	1913	1917
United States	\$2,448	\$6,417 (average 1915-1920)
Argentina	70 pesos	110 pesos
Japan	632 yen	1,603 yen

At this point a third repercussion appears, which has proved to be the most serious of all in

its far-reaching effects. The countries with agricultural and mineral wealth made the most of the occasion, but the industrial nations, or those which could set up factories quickly, were given an opportunity that was even more wonderful. The demand for articles ready for consumption was even greater than for raw or semi-finished goods, since the needs of the war were pressing, insatiable, and apparently unlimited. During this happy period — if a time which brings back such sad memories can be thus sacrilegiously described — one had only to produce to be able to sell.

Several neutral countries in Europe, as well as the Allies themselves, rose to the occasion; and overseas three countries in particular — the United States, Japan, and Canada — did brilliant work. The latter were all belligerents, of course, but being far from the actual war zone, they benefited in much the same way as the neutrals. Although American industry was well established before the war, it made enormous strides; and as for Japan, her great industrial development really dates from this period. These overseas countries now joined the ranks of the international exporters of manufactured goods, and for the first time shared the privileges hitherto reserved for Europe.

The sad list of Europe's economic losses during these black years does not end here however, for we still have to consider the indirect effect of the war on the overseas countries in so far as they were markets for manufactured goods. When these far-off nations were suddenly enriched by an exceptional demand for their products at unheard-of prices, their purchasing power shot up with the force of a geyser. Easy come, easy go — people made money so quickly that they never thought of saving it. Their one idea was to spend it, no matter how. The usual exporting nations had practically dropped out of the running, for although Europe was still able to export a little, the dangers of ocean transport and high freight rates proved a hindrance. The immediate result was that European goods failed to arrive just at a time when the new countries were feeling rich. Two adaptations quickly occurred. First, the non-European industries stepped into the breach, and secondly, local industries increased their output, while in some cases entirely new industries sprang up.

This trend did more than anything else to industrialize the world outside the boundaries of Europe, and in opposition to her. The urge to construct factories was irresistible. The effects

of the conditions which prevailed everywhere in those extraordinary years have not been counteracted either by the return to peace, or by the lesson of the two economic depressions which have since taken place.

Protection is hardly needed, and yet governments have been granting it with great gusto, imposing all manner of restrictions, especially on luxuries. These severe import regulations, sometimes amounting to embargoes, have provided a shelter behind which national industries have been created, or have been able to grow at their ease.

New industries have been springing up like mushrooms after the rain, but as we have learned by experience, once they have been created, enterprises usually manage to survive, especially when they can count on government support. While assistance of this type is likely to be given to the manufacturer to protect his investment, it is practically certain to be granted to the workman to consolidate the trade on which his living depends. Quite apart from the United States and Japan, this applies to Australia, Brazil, Canada, and a dozen other overseas countries where new industries were established during the war.

The most developed of these young countries

took the place of Europe, and began to fill the wants of the others. In the past the Old Continent was in the centre of the picture, but new commercial relations were now beginning to be established without reference to her. For example, the United States got into direct contact with South America, and also with the Far East via Panama, while Japan began to trade direct with South America, Australasia, and India. Certain of these trade routes were already in existence, but others were entirely new. Europe's role in this international commerce declined, and the result was a dislocation which will never be re-adjusted. Conditions during the war undoubtedly were exceptional, but their repercussions have come to stay. This is proved by the distressing facts disclosed in the following table:

IMPORTS INTO THE UNITED STATES			
	1910-14	1921	1930
	Per cent	Per cent	Per cent
From Europe	49'55	30'5	29'7
„ America	32'7	41'9	39'0
„ Australasia	16'3	26'0	29'1
IMPORTS INTO JAPAN			
	1910-14	1921	1930
From Europe	30'0	17'0	18'0
„ America	17'0	37'0	32'0
„ Australasia	46'0	41'0	40'0

Since the war the economic relations of the

different continents have thus been established on a new basis. Although Europe may have won back some of her lost clientèle, the conditions existing in 1914 — regarding this as the real end of the nineteenth-century period — now seem to belong definitely to the past. No doubt we shall regain some of the markets which the fatal years of the war lost for us, but others will elude our grasp. Not without a struggle will the other continents give up the advantages which they obtained owing to what were exceptional circumstances. The interests which have gained by the change are only too anxious to consolidate it, and no matter what economic arguments are brought forward, politics are always dragged in to their assistance. We have only to look around us to see that this is being done every day. Therefore, the industrialization of the world, even when condemned as uneconomic, is destined to endure. When Europe tries to recover her lost markets she is confronted with the exasperated nationalism of thirty overseas countries, who are in revolt against the old conception of international division of labour and complementary trade.

Regarded from every angle, the ultimate effect of this widespread crisis has been to undermine Europe's former role of leadership. It is not that current economic and technical methods have tended to become less standardized, for, on the contrary, owing to the mixing of the different civilizations, and the growing intermingling of customs and races, the world is being reduced more and more to a monotonous sameness. More tiresome even than the boring spectacle of original sin, to quote Baudelaire, is the prospect of unending masses of motor cars, radios, and the everlasting standardization of mechanical equipment, now that everything is within the reach of all. With incredible docility, the world is passing through the sausage-mill of mass production, which is no respecter of persons or things. Regardless of their origin, all the peoples of the earth are forced to give way. Man's standards of living, nevertheless, will continue along different levels, so that a great gulf will always separate America from Europe, and Europe from Asia. What really is new is that the Old Continent is no longer strong enough to impress her own

traditions as in the past and make the world react to a single impulse.

In place of this single driving force, the world is being divided up into various spheres of influence. The European sector is still intact, and still extensive, but on leaving these shores the traveller soon encounters that of the United States. Meanwhile several zones are taking shape in Asia, where they seem to have broken as completely away from America as they have from Europe. Considered on a plane far above the realm of politics in the accepted sense of the term, one easily perceives the three or four different paths along which the world is travelling, in marked contrast to the extraordinary unity of the earlier inspiration, when the power of the Old Continent was without effective counterpart. Instinctively we recall the last chapters of ancient history and the breaking up of the *Pax Romana*.

How do these new conditions affect Europe? The young industries growing up overseas are compromising her export trade, which is a vital part of her equilibrium. At the same time her supply of raw materials from abroad, although ample enough during periods of over-production and depression, may one day be jeopardized if the producing countries utilize them more and more

on the spot. The short circuits in international trade, to which we have already referred, are against her interests, for she previously acted as the broker, the transporter, and the warehouseman of the entire world. A lasting impediment in international circulation may end in a complete stoppage.

Such are the problems of the twentieth century. The world is tending towards a different equilibrium, and will no longer put up with the outworn traditions and rulings of the past. We must accustom ourselves to the change. Apparently commerce will not necessarily recover its former liberty, and politics will intervene more and more in the economic sphere. As a result international trade has lost its former character, and its volume is threatened. The adaptation which has to take place, especially in so far as it affects the Old Continent, may even lead to structural changes. As we study these problems, we are in reality discussing Europe's chances of survival.

PROBLEMS THAT ARISE

III

PROBLEMS THAT ARISE

THE European crisis resolves itself mainly into the problem of adjusting the balance between the various continents, and particularly between the standards of living, development and age of the different civilizations. We are now faced with an evolution which is relentless in character and varying in rhythm. Even those who insist upon keeping their privileges and refuse to adapt themselves to change, will in the end be forced to submit, for the crisis is inevitable. The aftermath of the war, by bringing to the fore many problems which are still unsolved, proved a rude awakening for certain European countries — indeed for the whole of European civilization — for it had been lulled to sleep by the prosperity of the nineteenth century.

Although the complete equilibrium for which we are striving is never attained, since life is always out of adjustment, periods do occur when the relations between different groups of humanity seem satisfactory, at any rate to those who benefit.

As we have shown, this was the case at the end of the nineteenth century; and now the twentieth century, though still groping chaotically, hopes in its turn to discover a regime suitable for itself. Events precede and move so much faster than theories, that generations brought up according to earlier principles never manage to adapt themselves, and are not even aware of what is going on. Thus we persist in describing as disorder, and condemning as unworkable, conditions which may be destined to endure. We are to-day in the twentieth century, but we are only just beginning to realize it. This, however, is normal, for did we not still follow Louis XIII under Louis XIV, and the Empire after the Restoration?

I

From the point of view of Europe, reorganization is badly needed in commerce, in the relations between industrial groups and in the play of intercontinental debits and credits. We are clinging to claims that are out of date. There are, however, certain intercontinental relations which are healthy because they are based on realities, and therefore are likely to last.

The first thing to be considered is the economic

age of countries and continents. A country is mature or even old when its population and its equipment have been developed beyond the resources of its territory; it is young so long as its resources are greater than its needs. The remark so often heard in new continents, 'We are a country of infinite possibilities', plainly expresses their conviction that the future still lies ahead. From this conception the whole system of complementary trade has arisen, in which the abundance of the one is absorbed by the deficiency of another. Neither Customs tariffs nor planned economy can overcome what is basic in such relationships.

This complementary system of trade went on so long and so naturally between Europe and the other continents that it appeared to be normal. Then a revolt set in, which is now at its height. In their impatience to build up their own industries, countries which formerly were the trading counterpart of the Old Continent are refusing more and more to limit themselves to the role of exporters of raw materials and consumers of manufactured goods. In spite of severe periods of depression, they insist not only on maintaining the industrial equipment which they created to meet the needs of the war, but even on increasing

it. Thus industrial Europe is assailed by a general offensive on every side.

As is to be expected, these claims will not be put off. When the colonies were founded, neither the pioneers nor the planters were interested in developing local industries, for that would have meant paying high prices for locally manufactured goods. They preferred to import what they required. In this first phase of development, they were interested only in exporting their own primary products, and paid little heed to the claims of industry. But as soon as a stable and relatively dense population had been built up and concentrated in towns, the situation changed. To-day we no longer listen to the wishes of planters surrounded by coloured labour, or to isolated sheep farmers among their flocks, but to workmen seeking high wages and employers hoping to make profits out of the local clientèle. It is at this stage that a new country which is developing rapidly instinctively desires to become industrial.

As the government is nearly always sympathetic, the industrialist, backed up by Labour, usually obtains the protection which he demands. No one ever considers whether the new industry is economically sound or not, or whether in view of

the output, often ridiculously small, it is wise to set up a tariff which will raise the internal price level. It is only necessary for some person or group to announce that a factory is about to be constructed, and the tariff is immediately granted, often even before production has been effectively started. The decisive argument turns less on the needs of the community as a whole, than on successful wire-pulling by private interests, who know how to make themselves heard. These interests usually present their case more from the social aspect than on economic or financial grounds. Australia is a typical example, for her industrial structure has been developed almost entirely thanks to her tariff, which was granted simply because her people wanted to become a manufacturing nation.

In these new countries the first industries to be created as a rule are those which depend on local raw materials. Instead of exporting them, they make use of them on the spot. Their transformation is rudimentary at first, but gradually becomes more complete. Thus Canada began by exporting pulp wood, but presently undertook to sell it in the form of pulp, and finally as paper. Special tariff regulations encouraged this evolution. In the same way Australia and Argentina,

after having exported cattle on the hoof for years, began to dispose of them in the form of frozen or tinned meat. Instead of exporting maize, the United States to-day sells pork products derived from pigs fed on maize. While a young country is developing, the percentage of raw materials in its export trade naturally tends to diminish in comparison with semi-finished products. The evolution of the foreign trade of the United States during the past fifty years is a striking case in point.

When this stage is complete, industries arise which have no connection with the natural resources of the country, but are merely concerned with supplying the needs of the local market. Though the horizon at first seems limitless, actually the choice of industries that can be attempted is restricted. A new community can only undertake a comparatively easy type of manufacturing that does not require high technical skill, but relies on imported automatic machinery. Whenever it is a question of difficult technique, involving a tradition, the transplanted industry works badly, if at all. Certain industries require a social atmosphere which cannot be found in centres which are not sufficiently developed. Thus in the geographic distribution

of industry we find various stages, and it is the relationship between them that dictates the necessary modification of intercontinental trade.

The old established order of things is bound to feel the repercussion of every degree of industrialization reached by the new countries, even when they are still almost in their infancy. In the first place when a new country starts to industrialize, it must keep a proportion of its raw materials for its own use. In periods of prosperity the keen competition to obtain them causes a rise in prices. Some governments have even gone so far as to impose an embargo or an export tax on the shipment of raw materials in order to give a privileged position to the local manufacturers. This is in direct contradiction to the complementary character of intercontinental trade.

Meanwhile, the same type of industry in the old country begins to lose its overseas customers, who are now buying what they need at home. No doubt European manufacturers could find new outlets in countries which are developing more slowly, but this means getting out of their established grooves, and it is only after considerable delay that they finally rouse themselves, grumbling because they consider that they have been unfairly treated.

The picture which we have sketched conforms to complaints which are heard every day. It is, however, only superficially correct, and does not give the whole story. We must not jump to the conclusion that the industrialization of the new countries necessarily injures the old, considered as a whole. As a matter of fact, apart from those industries which are in direct competition, other interests in the great metropolitan centres stand to gain by every development, even manufacturing, which takes place overseas. Orthodox political economy did not hesitate to teach us this, and England herself in the nineteenth century proved it by experience. As soon as a colony begins to be industrial, it affords a very profitable investment for European capital. So, though apparently we are face to face with a revolt, it is often the capitalists of the Old World who are making money out of it.

European industry also profits, for the demand is created for equipment, machinery, and spare parts, which obviously can only come from the most highly developed countries of the world, i.e. practically only from Europe and the United States. Along with the machines go the men to install them, both engineers and foremen. Thus, instead of exporting the finished article itself, the

most highly developed nations tend to export either tools or technical men. In the long run, as the purchasing power of the former customer increases, he will probably import as much as he did before, perhaps even more. It will now be the other European industries, however, those producing the finest qualities, that will benefit by this increased overseas demand.

What is needed is a change in the worn-out parts of the industrial organism of Europe, a change as radical as that which took place in the nineteenth century. In order to replace customers who can now do without us, we must find markets where they have not reached our advanced stage of industrialization, but where a demand for goods already exists. For the past hundred years, Manchester has successfully carried on her indefatigable hunt for new clients.

When Europe fails to sell one quality, she offers finer goods still, always trying to find an outlet where others cannot compete. Thus we are forced to take refuge in the superiority of our goods, and are drawn into a cycle of progress in which it is fatal to stop. There is something infernal about this rhythm, which recalls the haunted striving of the Wandering Jew. It may be that countries, continents, and even civilizations will be over-

come by fatigue along the road. But where those in the van are still young and active enough to keep their place, their relative superiority will long guarantee them their privileges. By a natural division of labour, certain difficult processes thus become the speciality of the oldest and most highly civilized centres. This applies particularly to the equipment suitable for establishing new industries, and again to products of such high quality that they require a technique and personal skill which it takes generations to acquire.

For many years it has been a question whether the policy of industrialization in the colonies and in overseas countries in general should not be opposed. Europe, without a doubt, would like to oppose it, in a very human desire to consolidate her privileged position, and when she gives way it goes definitely against the grain.

England, for example, although she takes a liberal attitude towards her Dominions as a matter of political wisdom, has certainly regretted seeing them build factories of their own. All the plans of the Imperialists for the past sixty years have been based on the assumption that the mother country should have the right to provide for the colonial markets, and even to-day England has succeeded in putting this idea into effect in

the Ottawa Agreements. If these measures were to be put sincerely into practice, they would act as a brake on further industrialization in the overseas parts of her Empire. Manchester still resents the competition in India of Indian-made textiles, just as our French industrialists would if Algeria were to start setting up factories and workrooms of her own.

But discussion is idle, for this movement cannot be stopped. All the colonies, one after another, would be up in arms if the mother countries refused to admit that they have the right to develop in their own way. To restrain them is becoming more and more difficult, and eventually, in certain cases, will be impossible.

Let us not be deceived by appearances, however, for the movement is slow, taking not years but generations to accomplish. This makes it possible to establish a new equilibrium or semi-equilibrium between the privileges of the Old World and the claims of the New by an adaptation which is both spontaneous and progressive. The new countries, having exported only raw material in the past, are now supplying semi-finished goods and beginning to manufacture finished goods for their own current needs. The old countries, feeling this competition in ordinary goods, are

tending to specialize in the finer qualities. As the Dominions, the colonies, and the reawakening countries begin to raise themselves in the industrial scale, so Europe must keep one step ahead. Thus there is always a certain distance between them, and their relationships remain virtually unchanged. As conditions are constantly changing and causing a continuous adaptation of the structure, we are really seeking not a static but a dynamic equilibrium.

The effect of these changes has long been apparent in the balances of trade and accounts of the most highly developed European countries. We have already noticed the increasingly important part played by 'invisible' exports in regulating international debits and credits. The British balance of trade has never been favourable within living memory, and in future its increasing deficit will be considered normal. Britain's imports of foodstuffs and raw materials are still mainly paid for by exports of manufactured goods. Apart from this, however, the revenue from capital invested abroad, from the tourist trade, and above all from 'services' of every kind, constitutes an item in the exchange balance which increases in keeping with the industrial progress of the new countries. This simply means that a highly developed

country has to bring more and more technique, science, and originality into its exports to the younger communities. Quite apart from the actual goods exported, it must also be ready to furnish its efficiency, its organization, and briefly its own personality. Its exports become more refined and more intelligent. That is its instinctive reply to the world transformations which are robbing it of certain of its functions. And, moreover, its vulnerability diminishes by reason of its progress.

Britain's balance of payments is singularly interesting in this connection. Since the nineteenth century, and especially since the war, her exports have been steadily declining in comparison with her imports as the following table indicates:

<i>British Exports Compared with Imports</i>	
1913	82 per cent
1921	74 "
1929	69 "
1931	52 "

Clearly the 'invisibles' have had to compensate for a larger discrepancy, but if we are to believe the estimates of the Board of Trade, they have — at least up to the present exceptional years — been amply sufficient to do so. In 1929, for example, the trade balance showed a deficit of no less than

£381 millions; and yet as the following analysis shows, Britain was still able to balance her payments in 1929:

*Balance of Income and Expenditure between the United Kingdom
and Other Countries in 1929
(In Millions)*

Excess of imports of merchandise		£381
Net national shipping income	£130	
Net income from overseas investments	270	
Net receipts from insurance, com- missions, etc.	65	
Other receipts	30	
Total credit balance		114
	£495	£495

Our table shows how the accounts have been balanced in spite of an alarming excess of imports, but it also throws into relief the changes which have taken place in the world, and particularly in the new economic relationship of the various continents.

Such is the trend of the penetrating comments on this subject made by Dr. E. C. Snow at the Royal Statistical Society: "The "invisible" people are getting the business. We may feel that it would be better for twelve men to be engaged in making boots for export rather than that one insurance broker should be making commissions of £5,000 per year on foreign business; but the fact remains that those from whom we buy prefer

the invisible to the visible method of payment for their food and raw materials, and we shall have to recognize the fact.'

It is now only with difficulty that Europe can manage to export as much as before. However, a certain amount of complementary trade still exists between the various continents, and each country fulfils its international engagements according to the stage of evolution it has reached. If 'services' are destined to replace exports to a certain extent, with a corresponding shrinkage in exports, then dangerous social consequences are to be feared until the Old Continent has accustomed itself to these new conditions.

Under such circumstances can we even maintain our standard of living? Europe to-day and to-morrow depends upon her accumulated wealth, but to-morrow she must also rely on her superiority. In the future she must justify under a regime of competition the priority she won under the previous regime of privilege and divine right.

2

The problem which the Old Continent has now to face, is how far she can adapt herself to present conditions in international trade. The drift of

Europe in the nineteenth century now turns out to have been perilous. To use an expression from Nietzsche, she truly decided to 'live dangerously'. In consequence she is to-day burdened with an excessive industrial superstructure, too dense a population, and a social standard which is becoming increasingly difficult to maintain. Two alternatives are possible. Either she must await the return of general prosperity to set her afloat again together with the rest of the world, or accept the necessity of revising her entire position. Such revision, taking the pessimistic view, would involve sacrificing part of her equipment, giving up her high standard of living, and perhaps also reducing the number of her population. A more optimistic hypothesis, however, suggests that her industrial structure can be adapted and reorganized so that the present level may be maintained.

Industrial competition is very different to-day from what it was before 1914, for the war, the post-war years, and the crisis itself, have brought radical changes. The chaos which has now become general has caught us between two fires, between Asia and America, between the high wage level of the one and the low wage level of the other. No matter which way we turn our flank is exposed.

The pressure of the low wages in the East and the Far East have introduced a new factor into the situation. The full effects of the general world industrialization are only now, since the war, making themselves felt. The West has brought this on itself, for without the extraordinary progress in our technique, this Asiatic competition could never have taken place. It is the direct result of mass-production, which is the outstanding feature of our era.

During the past generation the factory has changed in character more rapidly than we realized, for it had to be adapted to another transformation peculiar to our time, the decline of the working class. For this reason, not only during the war but afterwards as well, every effort, both in Europe and in America, has been directed towards substituting the machine for the workman, who had become expensive, scarce, exigent, and unmanageable. Mechanized workshops were needed, and simple processes which could be carried out without either the same quality or quantity of workmen as before. The factory has thus been transformed into a mechanism which is standardized, automatic, and interchangeable. The whole plant can now be shipped in numbered parts to the other side of the world,

where a handful of specialists travelling along with it put it together and start it going. The machinery is so well arranged that its output is almost constant, no matter what sort of employees are used. Owing to the lack of qualified workmen, its inventors have planned it so that it requires no initiative on the part of the operatives, and only a minimum of skill. Ford declares — and not ironically either, which makes it all the worse — that he requires no more skill from his workmen than they need to hang up their hats on a peg. Surely there is no one in the world — whether yellow, black, or brown — who cannot do that! A few engineers from the West are needed in the beginning to get things going, but even they can soon be dispensed with. Automatic machinery has thus conquered both time and space, conquered even man himself, who by his own genius has achieved the disturbing result of being able to dispense with his own skill and intelligence.

The countries of the coloured races are clearly in an advantageous position. Machinery, invented and constructed in the West, where civilization and the standard of living are high, is transported to the East where civilization and the standard of living are low. In the East wages are always at a minimum — one-fifth, one-tenth, and even one-

fifteenth of those in Europe or America. Even this is not the chief argument against this competition. Their main advantage lies in the fact that, being new, their industry is not fettered by embarrassing social legislation. The coloured employer makes his staff work long hours both night and day, and organizes his shifts to keep his machines going continuously. He is free to use children, young girls and women. Organization, which is the decisive factor in modern industry, works entirely in his favour, since social considerations are not allowed to conflict with the exclusive interests of production, and the rights of the human element have to all intents and purposes been eliminated.

Meanwhile the industrialist in Manchester has become the victim of a long evolution of social progress. He is hopelessly floundering about in a network of regulations, collective contracts, labour laws, and humanitarian principles, all of which his conscience approves and which in fact are among the main bulwarks of Western civilization. When low wages are coupled, as in the case of Japan, with a technique which is often more advanced than in the West, competition is no longer possible.

In the following magnificent piece of writing,

M. Paul Morand describes the agonizing contrast between the lot of the white working class and the proletariat of the coloured races:

‘Here is a man who gets up at an hour when Nature is already awake, who finds at his door a cup of steaming hot coffee and the newspaper, who travels to work with a cheap ticket on the underground or bus, enjoys three meals a day, goes fishing on Sunday and to the cinema on Saturday night; a man who has been educated free, insured against unemployment, old age, and sickness — such is the lot of the white workman earning a wage at the Western level. Now picture a man practically naked, in rags, subsisting on a bowl of rice and a few grilled locusts, who considers any work a windfall, and labours fifteen or eighteen hours a day for almost nothing, who has no pleasure except once and again feeling that his stomach is not aching with hunger; who sleeps anywhere he can, in the street, or in a shed, a mere skeleton, abandoned, condemned to do the most arduous work to the end of his days; a man who is unprotected by law, haunted by usurers, and pillaged by the military — such is the lot of the black workman and of the coloured proletariat in general.’

Conditions in Japan admittedly do not apply, but this description portrays only too truly the misery of many in both India and China.

Once the value of the individual is threatened, how can the European who is staggering beneath the weight of his standard of living, like an army with too much baggage, fight against these countless masses? Actually we are witnessing what has been described as 'a gigantic arbitration between two labour markets'. In the textile world, for example, Japan, India, and China are robbing Manchester of part of her former territory. Japan indeed is now so highly mechanized that she has reached the stage where she can manufacture her own machinery; meanwhile her wages, compared with those in England, are still at the Asiatic level.

On our western front, on the contrary, we are obliged to defend ourselves against countries with higher wages and a standard of living more pretentious than our own. The United States on the morrow of the war represented this competition. Although it has temporarily died down we shall have to face it again, for its causes are deep-seated. The conditions which gave the Americans the victory are easy to analyse: they win the day when the height of their wages can be compen-

sated by the quantity of their output. This is due to their superior organization and their intelligently directed mechanism. High salaries and mass production only occur together when an enormous home market with a sufficiently high purchasing power is available. Abundance of raw material on the spot, 125 million consumers forming a free trade unit surrounded by a single customs barrier — here are natural and political conditions which the Old Continent cannot hope to equal. When these conditions are fulfilled America can compete irresistibly; but when they are not she is easily out-distanced in the international markets. The supremacy of the United States thus appears to be limited to productions which are carried out under the double sign of the machine and the mass. Otherwise they are crushed beneath their own wages, just as Europe is crushed in comparison with Asia.

In this way the trade between the two shores of the Atlantic operates as naturally as two liquids of different densities which have been superimposed in a flash. Europe, still being the Old Country, as far as the New World is concerned, buys from the United States the raw materials and semi-finished goods which she needs to feed her population and supply her factories. She

also buys mass-produced articles, selecting as a rule the tools and machinery which are such a perfect expression of the American temperament.

The United States, on the other hand, being still economically young in spite of their gigantic development, import from Europe foodstuffs and manufactures of high quality, especially goods made to order. They also import — and would import much more if their tariff would let them — the whole range of articles in which, being only partly machine-made, the personal touch still counts. Here America's advantage diminishes and even disappears.

These three stages of industry, corresponding to three continents and their three stages of civilization, suggest an interesting discussion. The Americans boasted rather insolently during their prosperity that they feared one type of competition only, that of countries with a high wage level. This recalls Sir Charles Dilke's book, *Greater Britain*, written after his world tour in 1867 and 1868. 'The lesson of my trip round the world,' he wrote, 'is the defeat of the cheap people by the dear people, the victory of the man whose food costs four shillings a day over the man whose food costs fourpence.' Even if his conclusions are not justified, his simple statement at least has the

merit of expressing the problem admirably, and of placing it upon the fundamental basis of the standard of living, for it is really this which is at stake in the rivalry between the continents.

Must we agree with Dilke that it is always the higher standard which wins? This is much too simple. We cannot admit this any more than that the competition of starvation wages is bound to be irresistible. What is much more likely is that several stages of industrial production exist, each with its own law and its own chances of success. In some cases it is the poor who survive, and in others it is the rich. The law of production is not, and cannot be the same for a cheap cotton textile, a mass-produced piece of agricultural machinery, and a costly silken fabric. How is Europe going to be situated in the midst of this international rivalry, where her very destiny is at stake?

3

Without a shadow of doubt, under present conditions of world competition, Europe is beaten in certain fields.

She is defeated in the East and the Far East by automatic machinery coupled with starvation

wages. Add to this advanced technique in the case of Japan, and the offensive becomes irresistible. They have made use of the tools which we have been so eager to sell, never giving a thought to the ultimate consequences of what we were doing. Being now armed with this new weapon, Asia outbids us, thanks to her very misery, since she employs a veritable army of workers at infinitely low remuneration, and makes no provision against overtime.

‘Asia can underlive Europe.’ In this terrible sentence Lafcadio Hearn expresses the tragedy of this merciless rivalry, in which the poorest comes out best. This is only too true at certain stages of production, for, like Gresham’s Law that bad money drives out good, in the competition between the two races it is not the more advanced which triumphs, but the more wretched which survives. Economically — one might almost say biologically — the more skilled is not necessarily the better, for in certain branches of manufacturing the social burden of civilization becomes too heavy to bear. In this respect it is an undeniable advantage to travel light, with few requirements.

‘Unfair competition’, protests the workman with a high standard of living. In his case we must include in the cost of production his com-

fort, health, and amusements, of which no one would wish to deprive him. But international commerce does not take such matters into account. It only recognizes the pitiless force of might and possession, and that the weaker goes to the wall. During the past ten years the textile industry of Western Europe has learned this lesson only too well from the devastated areas in her export trade with India and China. It is like a gigantic landslide where the soil is giving way under our feet, and which threatens to deprive us of the markets of an entire continent. Ought we, then, to engage in battle in a field where our choice of weapons cannot be effective, and where there is always a possibility of having to rival the misery of our adversary? The countries which have depreciated the value of their currency have set out hypothetically along this road. Just as death cannot be stared in the face, so we have reached an abyss from which we must avert our eyes in spite of ourselves.

In America, at the other extremity of this immense field of battle, we are beaten for reasons which are exactly the opposite. The super-equipment, which in certain industries gives an enormous output per man and so permits a very high wage, is really just as much ours as

theirs. It is our invention that created it, our genius that made it possible. White race on both sides of the Atlantic! There is nothing that America has accomplished which Europe could not also have done, had the problem been simply one of organization, technique, and ingenuity. What is new in America, but also out of our grasp, is the size and simplicity of their theatre of operations. Within a framework of such vast geographic proportions, organization can produce results which are denied to us. The population of Europe is more numerous than that of the United States, and our natural resources are by no means negligible by comparison; but we are so divided up politically, so imbued with hatreds inherited from the past, that the possibility of turning the continent into a single unbroken market will long remain a Utopia. If she had the same start, Europe could imitate successfully the scientific way in which the United States has organized production, but geographically she is deprived of the factor of mass consumption, and by her age, of economic youth.

However, we do not always suffer defeat on this double front. We are not always on the defensive, for the causes of our former prosperity have by no means disappeared. On the East as well as on the

West we have still evident advantages, but in our post-war humiliation we have lost sight of them.

Our technique is still superior to Asia's, even including Japan's. The Far East possesses an increasing number of excellent engineers and expert organizers, but difficult industries can only prosper where mechanical civilization is deeply rooted. It is easy for the Asiatics, or indeed any of our imitators, who rather naively are ready to convince themselves that they are our equals as soon as they are in possession of our tools and have learned how to use them. This is not true. Real superiority lies not in running a machine, but in creating it. What would happen if we were to stop supplying the Orient with our genius? Let us suppose that for some reason we were unable to get into touch with them for a long period. They would certainly maintain their equipment, but would they be unable to renew it? The tool and the hand which guides it count for little; it is the spirit which has created it which is significant. So long as Europe is still capable of invention, who can rob her of her superiority? The whole question resolves itself into how many difficult industries there are to-day, and how many there will be in the future.

With regard to the United States, we have

learned from the crisis where we were exaggerating their strength. Even during the period of its amazing prosperity some of us discerned the limits to the system, for we saw that the conditions of its success were clearly determined. Europe still has the advantage of greater individuality, and at the same time of greater frugality. No one will deny that as an inventor of machinery the American is ingenious, but the European really is a more gifted creator. The shade of meaning may seem subtle, but there is a difference. The inventive genius of the New World lies above all in discovering tools and machinery, especially the machine-tool which will eliminate the human element.

When it is a question of creating, however, of making something out of nothing as artists do, the Old World has a freshness which she will never lose. She will benefit by her very difficulties, as she will be obliged to work within a narrower margin, and keep her wits as sharp as a razor. The Americans, as we know, are only interested in solving simple problems. They only mine the easiest minerals, and they avoid industries which require too close application, too great patience, and too careful calculation. We are inclined to consider the American, when he is not over-

whelmed in a crisis, as a privileged person. Nevertheless, our more modest scale of living allows us to undertake certain enterprises which he does not even attempt. As a result, when we compete with him we carry the day, just as the Asiatic does when he competes with us. But there is this difference: the quality, individuality, and difficulty of our work becomes the decisive argument in our favour.

Seen from without, Europe gives the curious impression of occupying the position of intermediary between the East and the West, or if you prefer, between the Far East and the Far West. Seen from Asia, she is part of the West, and would be its perfect expression were America not further West still. Seen from New York and still more from Chicago, she seems to be merely 'a small peninsula on the continent of Asia', indissolubly bound to this massive and overwhelming geographic block. Considered from India, as I know from personal experience, she seems to be ardently pursuing her material aims, and devoured by initiative and progress. To the American, Europe with her peasants seems to share in oriental frugality and to maintain unbroken many of the oldest of Asiatic traditions, whereas the Anglo-Saxons of the New World have unmistakably

broken this thread. One may say, no doubt, that Europe embodies the weaknesses of the two systems; but she also possesses in one way and another much of their force. We must not jump to the conclusion that her day is over.

4

This brings us to our conclusion — to what I more modestly prefer to call our commentary — that the present hostile attitude of the world, not only towards Europe but towards the entire white race, should be taken to heart. In so far as it was materialistic, our conquest of the globe is being turned against us. The phase of our uncontested domination is definitely over, at any rate for Europe. Our former tributaries, whether voluntary or involuntary, now refuse to serve us any longer. Meanwhile we have lost faith in our own omnipotence, and are sometimes even losing our pride, which if it did not make us loved, at least made us feared. No doubt Europe will be able to maintain her supremacy for a long time yet in Africa and even in Western Asia, but in the Far East the days of our leadership are numbered. Europe must now alter her method of influencing the world.

We have been pessimistic enough, almost too

much so; the crisis has taught us that certain non-European giants are not without their weaknesses also. Europe still retains two vital factors: her genius for creative invention, and her appreciation of spirituality, both of which are bound up with her traditional culture. We are thus forced to rely upon our own superiority, the unique stronghold into which the overseas countries can penetrate only with difficulty: quality, 'services', international finance — this is where Europe undoubtedly excels. Although on this course the Americans are close at our heels, they have not yet caught up, because success takes the time element into consideration.

The main difficulty is that such a basis is too narrow to support a whole continent, especially on the high level which Europe has reached. Just as deep water is required to float a large ship, so the economic activity of Europe, being based upon international trade, cannot carry on with a small volume of transactions. She would pine away from lack of nourishment. If the complementary trade between the continents changes, even partially, into complementary trade within the boundaries of one continent, or one country, will that not mean stagnation for transportation, for the great entrepôt markets, and for the stock

exchanges? The Old Continent would be the first to suffer. In the same way if foreign markets do continue to accept our high qualities, but shut out our ordinary goods, will Europe not be obliged to contract not only her equipment, but her population, and also her standard of living?

Such is the peril which threatens this continent, with its audacious industrial superstructure. Like a building, this superstructure is dangerous because it is top-heavy. The peril is all the more disquieting, since in the shadow of this structure, which had always been considered safe, has grown up a population both dense and insatiable. Its standard of living, won during a long series of prosperous years, will not easily be given up. 'Men will not always die quietly,' as Keynes remarked in 1919.

Democracy is everywhere digging itself in just when the possibilities of a decline are looming up. It is determined to consolidate what it has acquired so far, even if its old basis disappears. From now on in many of the Western European countries the standard of living of the people is depending more and more upon the generosity of the State, and less on any real economic foundation. Already public budgets are overburdened, as more is being distributed than is being pro-

duced. The level of wages and social services is in many cases fixed by political considerations, and is not based on the state of the labour market. No government dares touch the standard of living which the political parties have made sacred. So the necessary money is first obtained by despoiling the wealthy classes, and then, following the line of least resistance, by inflation.

Among the many solutions that present themselves, two appear to be possible. One is to turn certain European countries into closed economic units, as was the case during the war when the Central Empires contrived to live upon their resources, without either imports or exports. Germany is trying to do the same thing again to-day. She is attempting to support too numerous a population on a territory which was considered almost insufficient in the past. By stamping on the ground, she is trying not merely to conjure up armies, but also wealth, especially wealth which depends less on Nature than on chemical genius and the rationalization of mankind. Life there is virtually on a war-time basis, which has meant loss of liberty, a reduced standard of living, a strong police, concentration camps — everything served up with a coating of mysticism to make the pill easier to swallow.

On the other hand, in England and France, owing to the standardization of life with its mass-produced houses, clothing, transportation, and even amusements, the common people are enjoying an increasing amount of cheap semi-luxury which seems to satisfy them. Such Americanization of our customs is an eventual solution, for without apparently lowering her standards, Europe can thus reduce the cost. In the operation, however, she would lose her very soul.

One wonders if such a course is absolutely necessary, but *primo vivere*. I feel that it is with undisguised sadness that the European *élite* would view such a trend. With its halo of romance and the creative power underlying it, the German solution kindles our imagination. But the Babbitt idealism of the American method terrifies us by its monotony. In any case it is not even the best that America has to offer. Europe without her individuality would be only one continent among many; she would cease to be the yeast which leavens the rest of the world. If she adopts the American solution she will lose in the economic field her superior technique, which is one of the chief reasons for her survival more or less in her present state.

We must not allow her creative genius to

perish. It is born of the spirit — of the liberty of the spirit — and of disinterested culture. If Europe conforms to the present trend and sells her soul to mass production, she will undermine the foundations of the civilization on which she lives. The hero who best symbolizes our old continent is Prometheus. When he stole the fire from Jupiter to give it to man, he may have offended the gods, but he called into being that hidden soul of our Western civilization, the revolt against fatality and supine passivity. From this revolt has gushed forth our technical invention and our undisciplined creative genius.

Let us not be crushed by the American masses or the Asiatic masses. Let us remain true to the spirit of the Caucasian host, for even the most punctilious racialists cannot pretend that it was not Aryan.

